

Todd F. Silbergeld  
Director  
Federal Regulatory

SBC Communications Inc.  
1401 I Street, N.W.  
Suite 1100  
Washington, D.C. 20005  
Phone 202 326-8888  
Fax 202 408-4808

EX PARTE OR LATE FILED



February 23, 1999

**NOTICE OF EX PARTE PRESENTATION**

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
Portals II Building  
445 Twelfth Street, S.W.  
Washington, D.C. 20554

RECEIVED

FEB 23 1999

FEDERAL COMMUNICATIONS COMMISSION

Re: *In the Matter of Applications for Transfer of Control to SBC  
Communications Inc. of Licenses and Authorizations Held by Ameritech  
Corporation, CC Docket No. 98-141*

Dear Ms. Salas:

Please be advised that yesterday Chuck Smith (President-Network Services, Pacific Bell), Michael Kaufman (President-Consumer Markets Group, Pacific Bell), Bill Blase (Vice President-Regulatory), Zeke Robertson (Senior Vice President, SBC Telecommunications, Inc.), Rich Motta (Executive Director-Business Integration, Pacific Bell), Dennis Evans (Executive Director-Regulatory, Pacific Bell) and the undersigned met with Patrick DeGraba and Johnson Garrett of the Office of Plans and Policy, Michelle Carey and Audrey Wright of the Common Carrier Bureau's Policy Division, and Tony Dale and Whitey Thayer of the Bureau's Accounting Safeguards Division in connection with the above-referenced pending applications. The purpose of the meeting was to discuss service quality, service rate levels and sales practices in California following SBC's merger with Pacific Telesis Group. The attached material served as a basis for our discussion.

In accordance with the Commission's rules governing ex parte presentations, an original and one copy of this notification are provided herewith. Please call me directly should you have any questions.

Respectfully submitted,

*Todd F. Silbergeld*

Attachment

cc: Mr. DeGraba  
Mr. Garrett  
Ms. Carey  
Ms. Wright  
Mr. Dale  
Mr. Thayer

No. of Copies rec'd 0+1  
ENCLOSURE

# Pacific Bell

Best Merge Performance

---

**Since the Merger (4/1/97)**

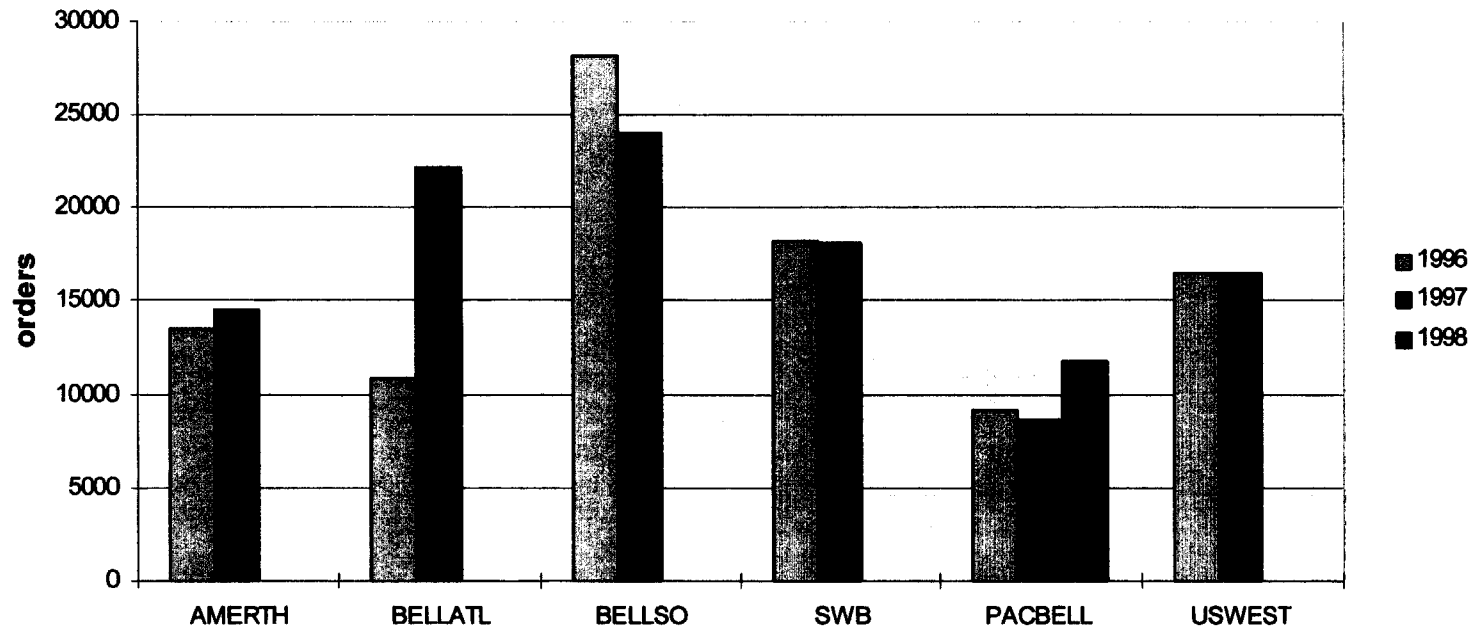
- ***Service Quality*** results improved in 1998 (ARMIS 43-05).
- Almost ***3000 New Jobs*** in California.
- Annual ***Capital Spending*** increased 20% on OSP and CO facilities.
- More than 800 ***Colocation Cages*** installed by year-end '98, an increase of more than 400%.
- Pacific Bell has some of the lowest prices in the nation. Additionally, ***Prices*** have been reduced by \$496M since the merger.
- Ethical ***Sales Practices*** that comply with Commission rules.

## Pacific's service quality improved in 1998.

	<u>'97</u>	<u>'98</u>		<u>'97</u>	<u>'98</u>
• % Install. Commit. Met	98.2	98.7	• Initial Trouble Reports	2639	2784
• Avg. Install. Interval (days)	3.0	2.4	• Out of Service Repair Interval (hours)	40.7	43.6
• Total Switches with Downtime	138	106	• Repeat Trouble Reports	433	517
• Total Switch Downtime in Minutes	510	82			
• State Complaints - Business Users	94	85			
• State Complaints - Residence Users	544	529			

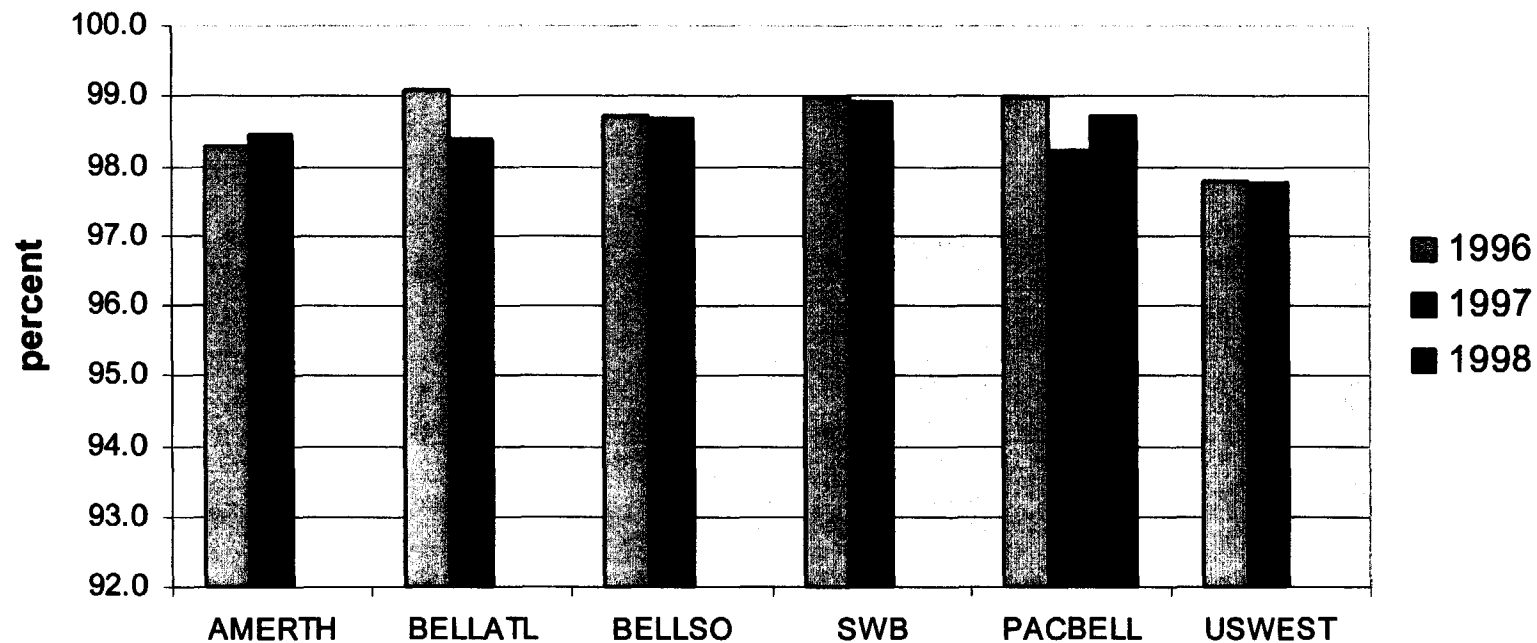
**Installation orders** increased significantly in 1998 (37%). Also, Pacific experienced record rainfall in the 1997/1998 season severely impacting repair statistics.

## Installation Orders (000)

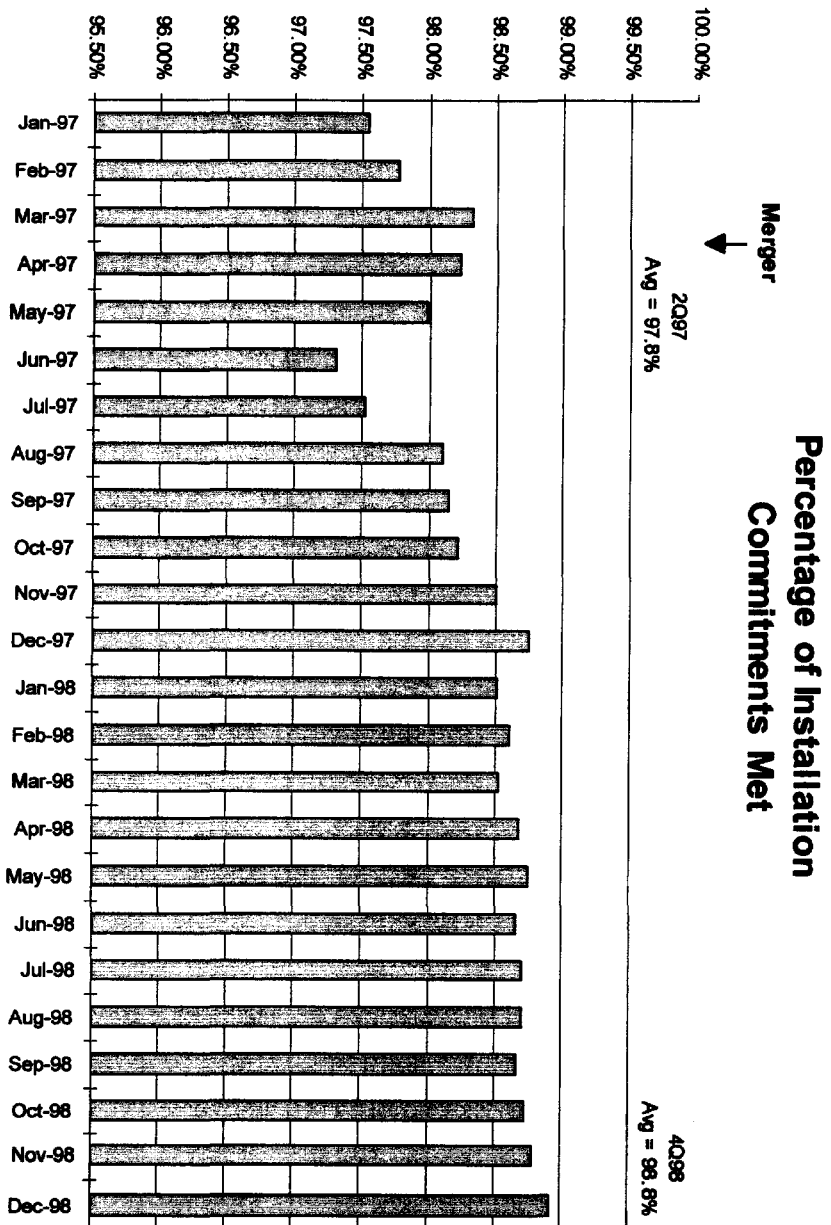


Pacific has experienced significant growth in service orders since the merger. A comparison of 2Q97 and 4Q98 shows a 37% increase in the number of installation orders.

## Installation Commitments Met

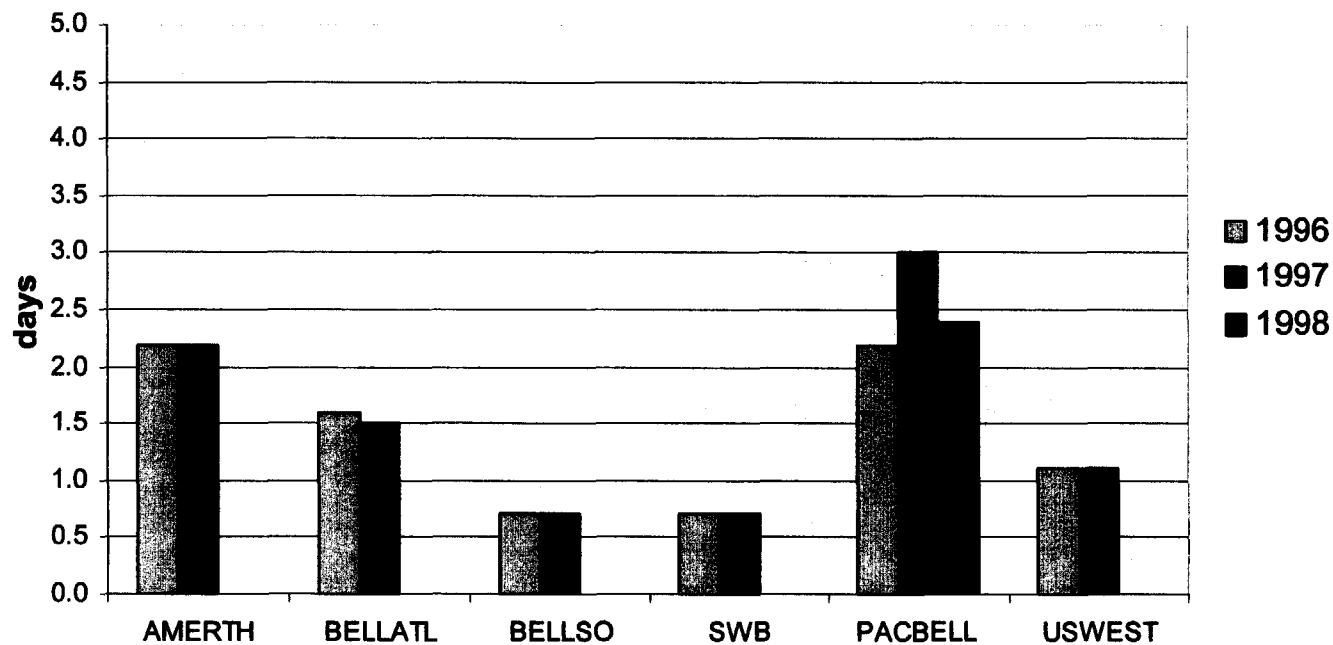


Pacific improved its percentage of installation commitments met since the merger even with a significant increase (37%) in installation orders.



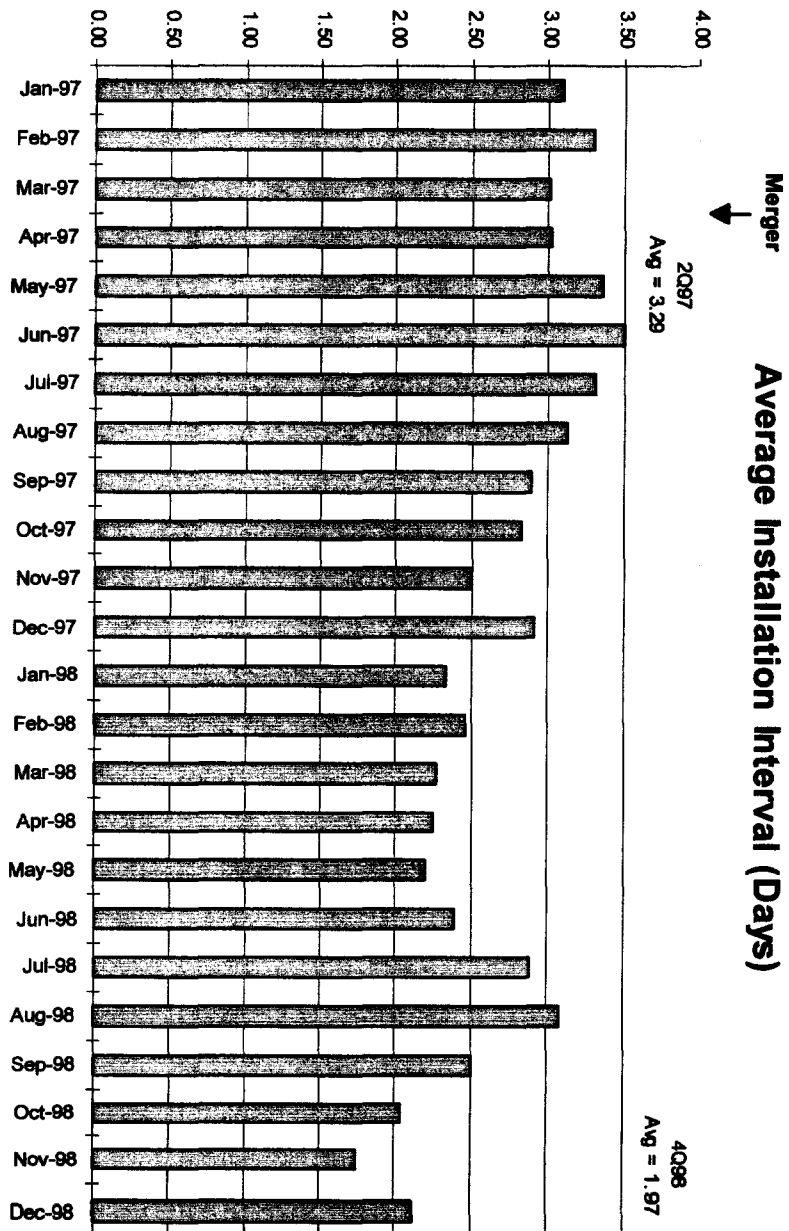
Includes all orders...fielded and non-fielded.

## Installation - Average Interval in Days



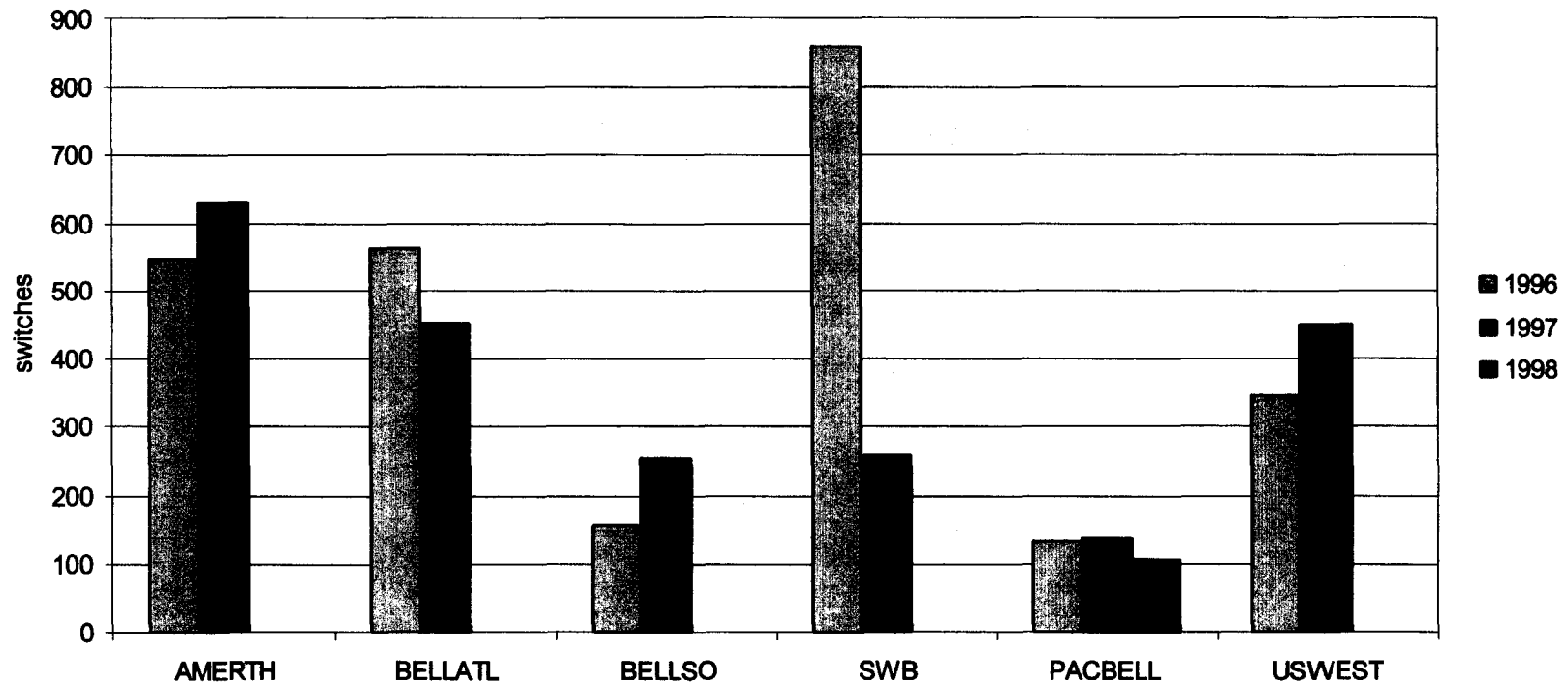
Installation intervals improved significantly since the merger. Average installation interval in 2Q97 of 3.29 days was improved to 1.97 days by 4Q98.





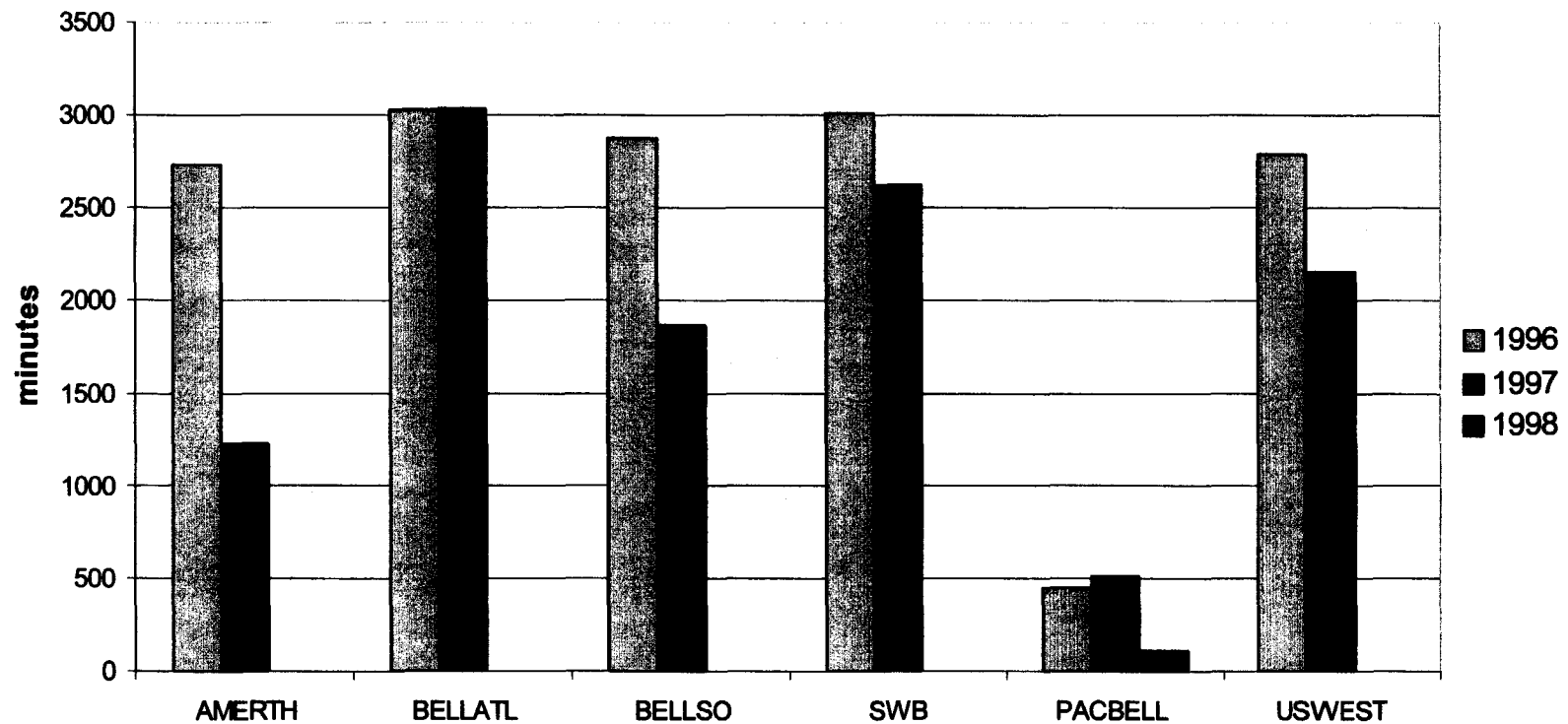
Includes all orders...fielded and non-fielded.

**Total Switches with Downtime  
MSA**



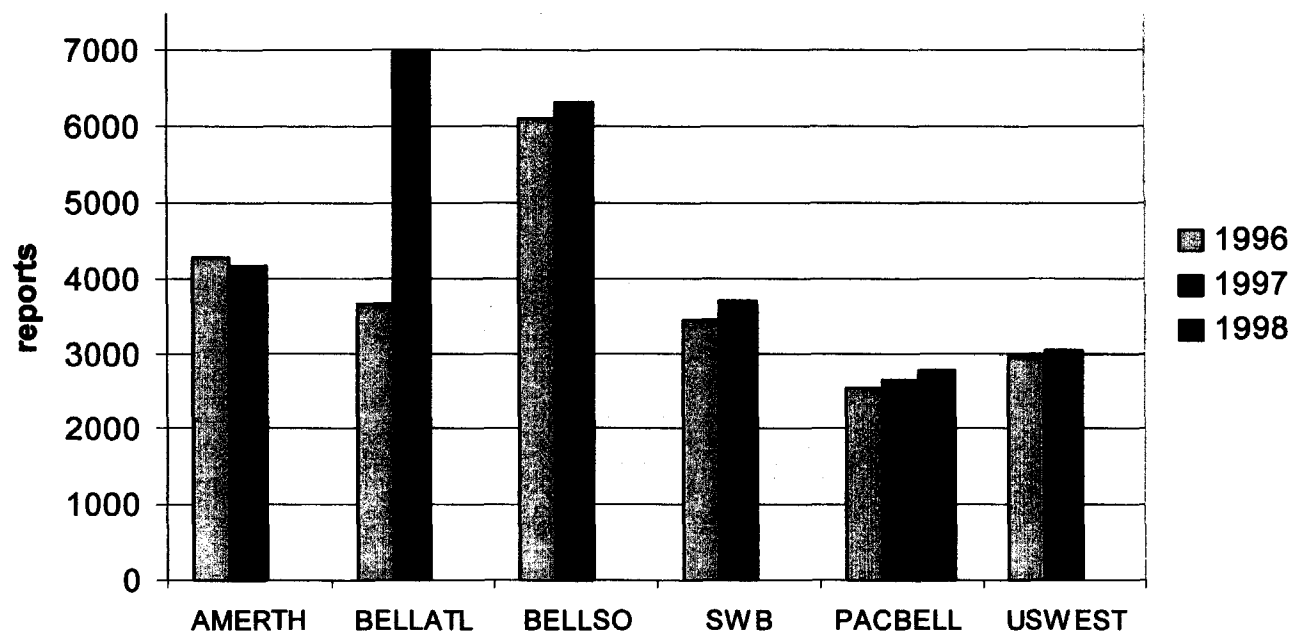
**Pacific continues to lead the nation in switched network reliability.**

**Total Switch Downtime in Minutes  
MSA**



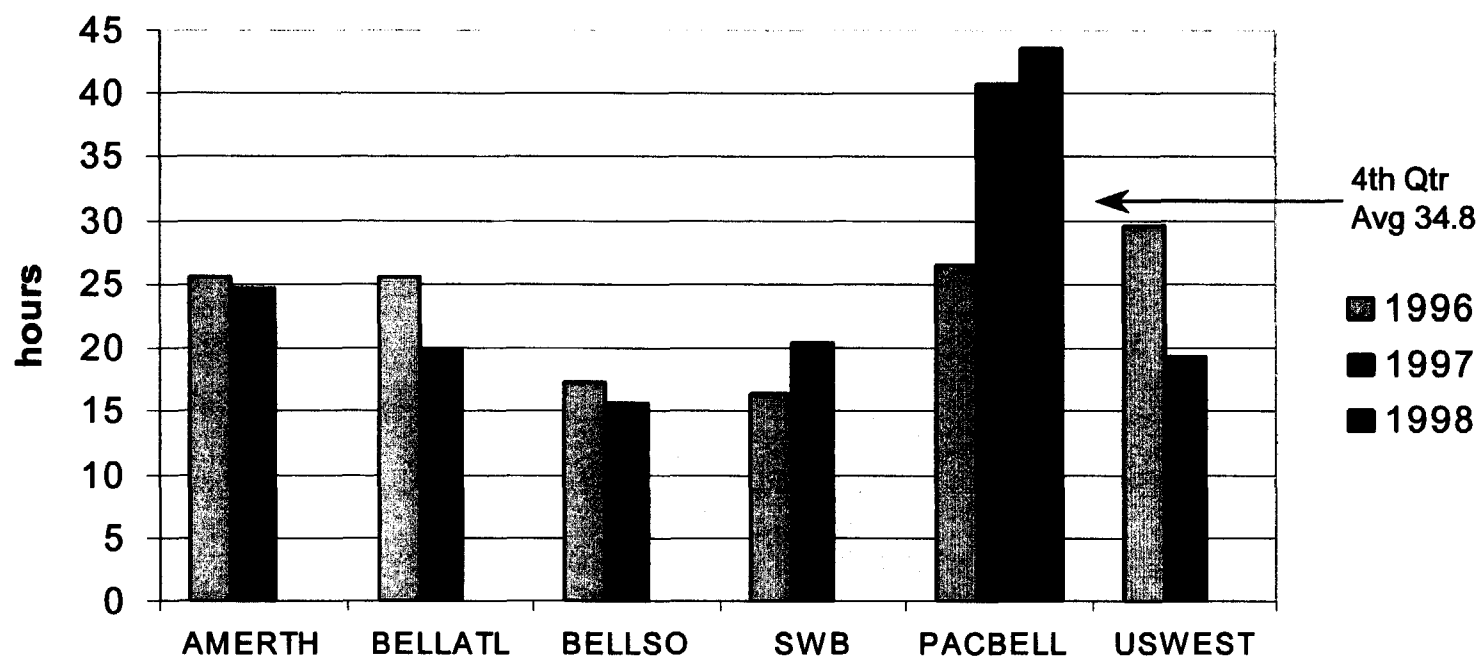
**Pacific's Total Switch Downtime results are by far the best of the RBOCs.**

**Initial Repair Trouble Reports (000)**



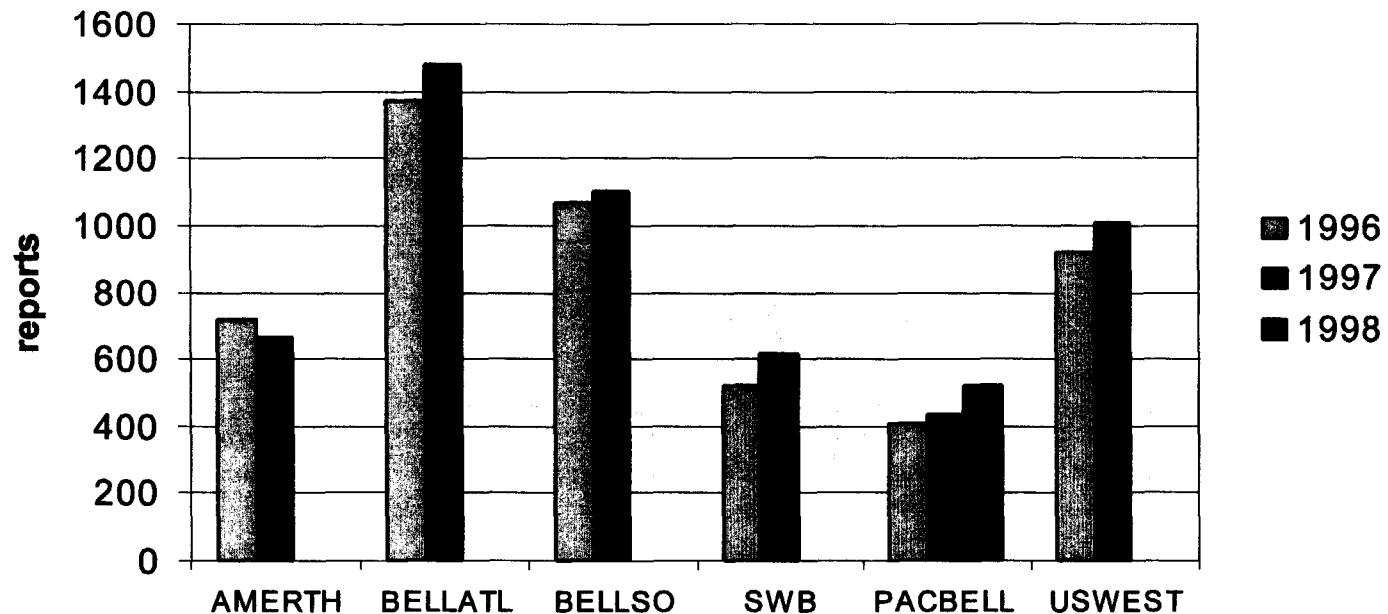
Pacific added over 1000 technicians and borrowed employees from out of state to respond to customer repair reports caused primarily by the record-setting storms of El Niño. Initial trouble reports have declined significantly since 4/98, with April '98 - December '98 data (annualized) producing a 4.9% decrease over 1997.

# **Out-of-Service Initial Repair Interval in Hours**



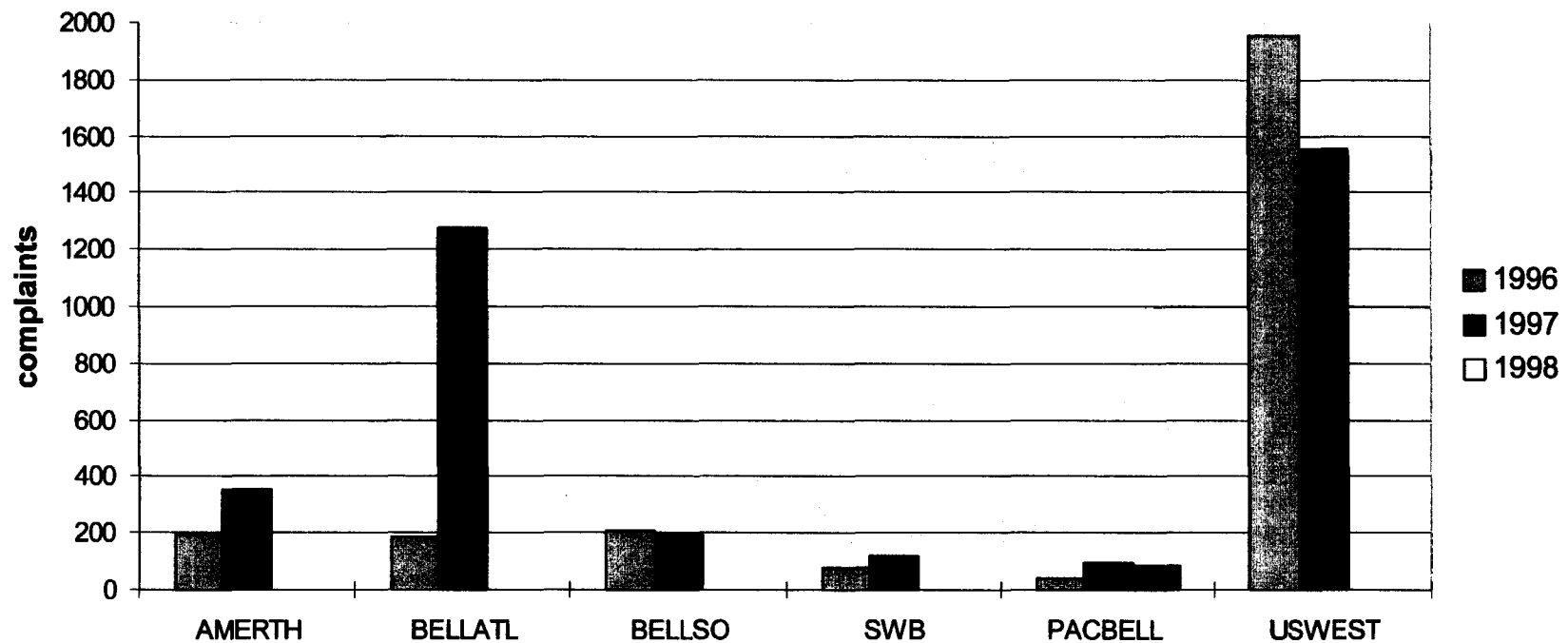
The repair results for much of 1998 were also heavily impacted by El Niño. However, by 4Q98, Pacific had reduced its repair interval to 34.8 hrs.

**Repeat Trouble Reports (000)**



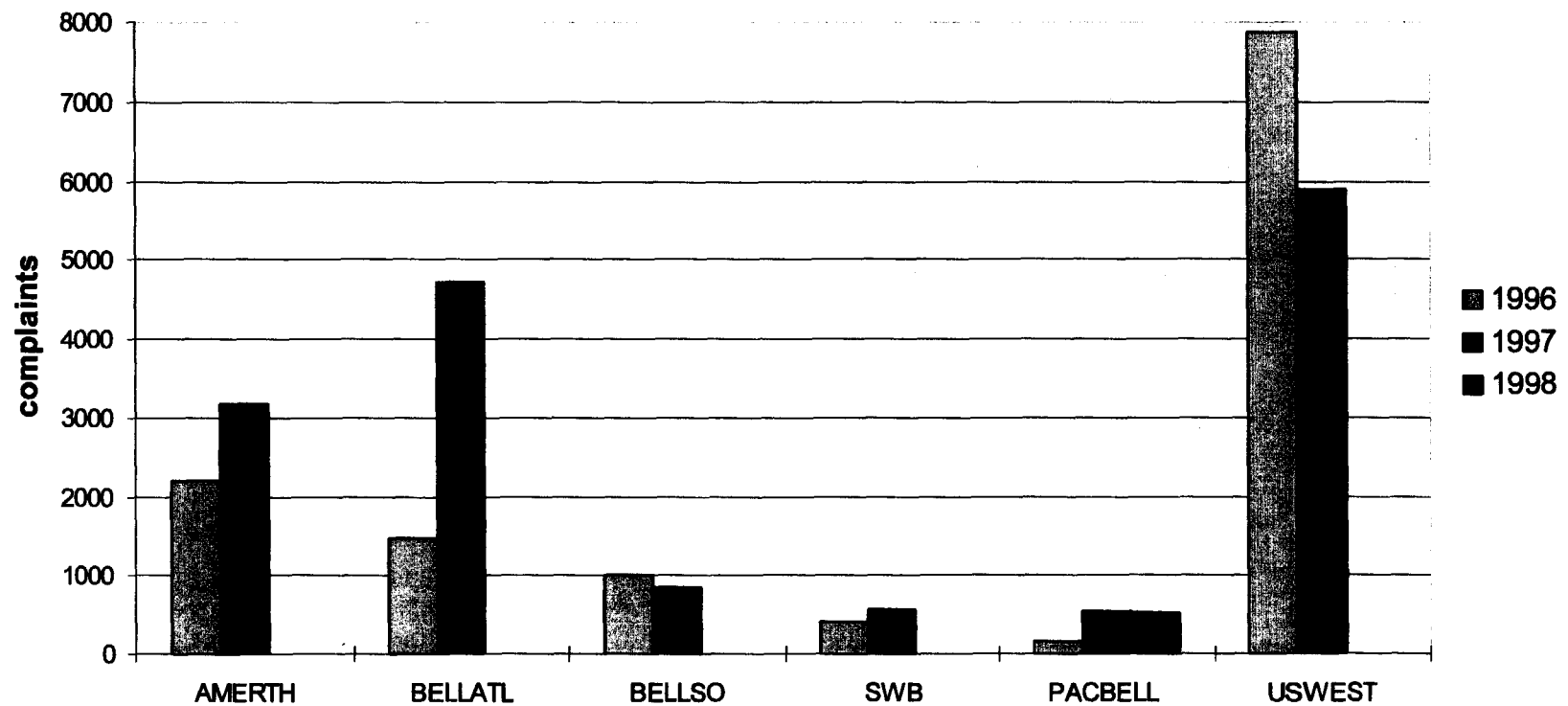
El Niño and the experience level of the newly added field technicians (added more than 1,000 techs), resulted in a transitory increase in repeat trouble reports. However, lowest repeat trouble reports indicates time spent on initial repairs to fix it the first time is well spent.

**State Complaints - Business Users**



**Business Complaints declined in 1998 compared to 1997.**

## State Complaints - Residence Users



**Residence Complaints also declined in 1998 compared to 1997.**



**Customer Service Quality Survey** methodology changed in 1998 impacting the percent dissatisfied. Year over year results are not comparable. However:

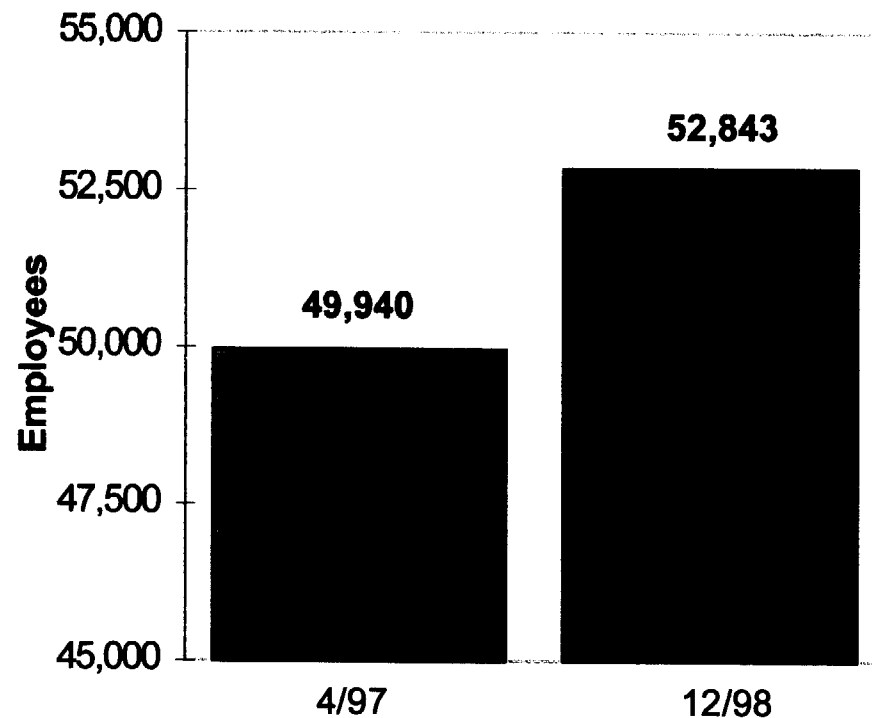
- For the second consecutive year, Pacific Bell was one of the top ranked residential telephone companies for customer satisfaction as measured by J.D. Power and Associates.

and

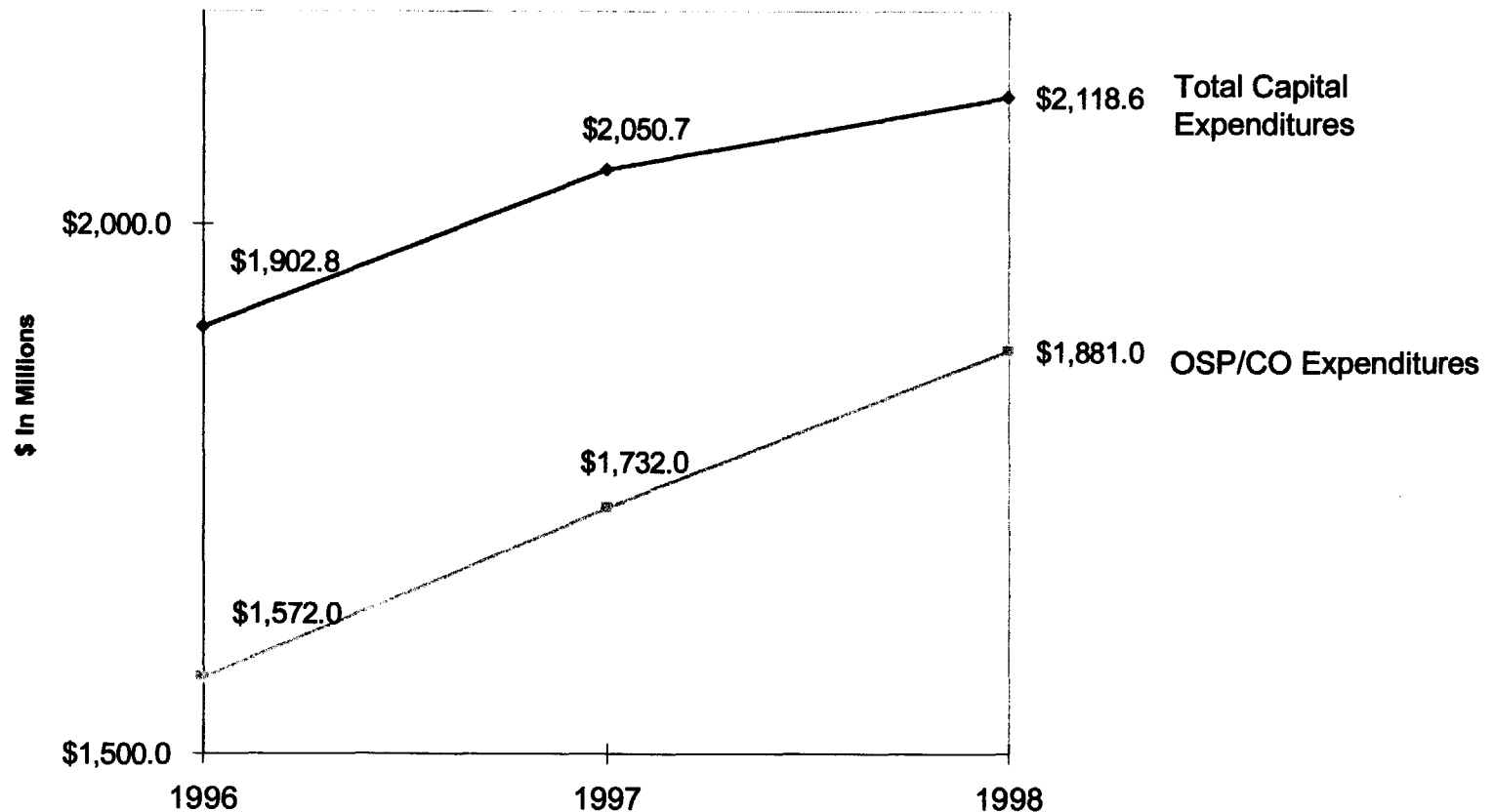
- Pacific Bell ranked second overall in customer satisfaction among users of local telephone services according to the 1998 Yankee Group's Recognition Survey and first when it comes to value for the money and quality of the network.

and

- AT&T states that "Pacific Bell is setting the standard against which other Access Providers will be measured." (December 3, 1998)

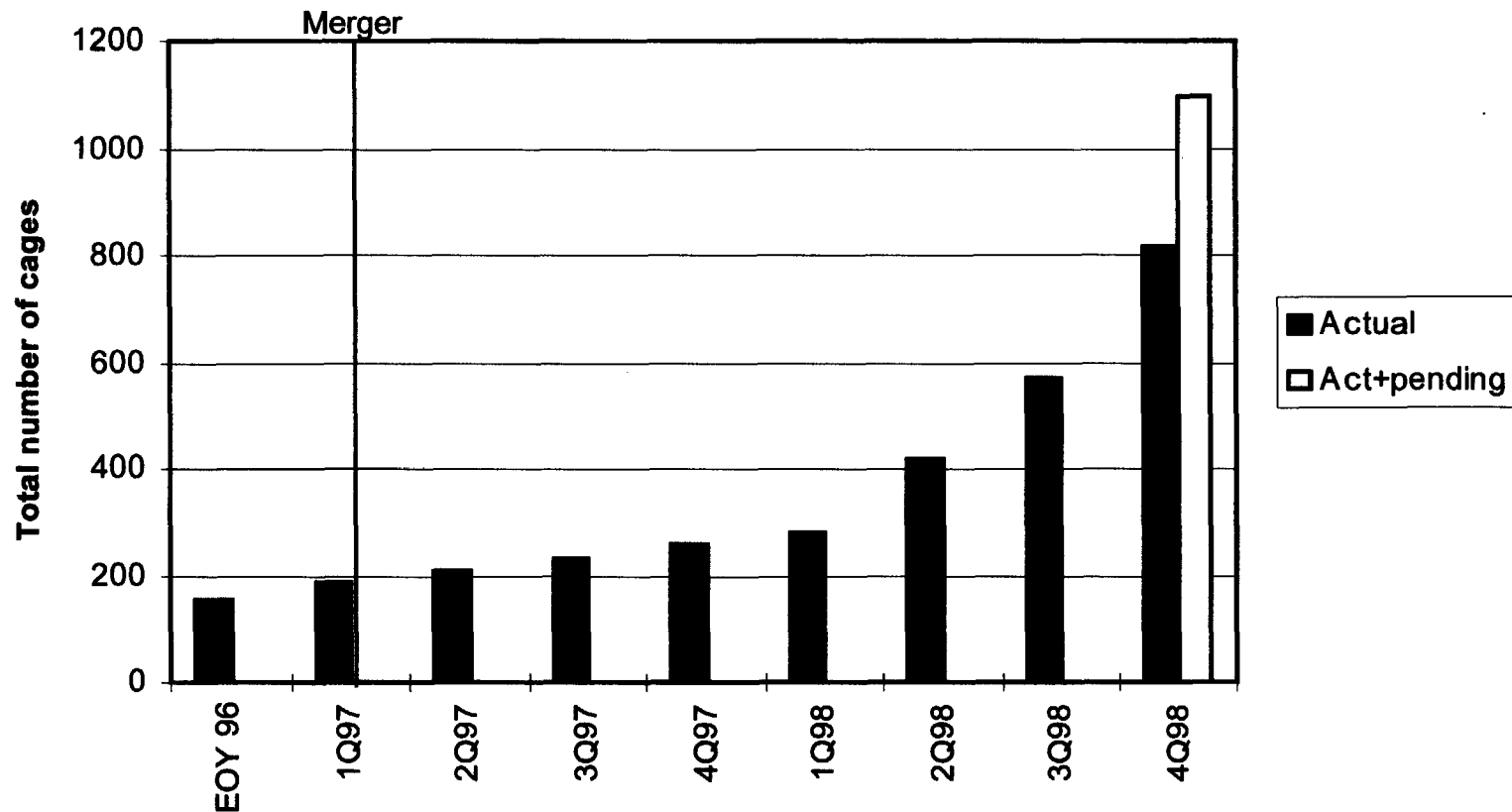


2903 new jobs have been added since the merger. This increase includes more than 2000 customer facing jobs: 1000+ service representatives and 1000+ communications, services and splicing technicians. Additionally, we have over 1000 requisitions outstanding for these customer facing positions.



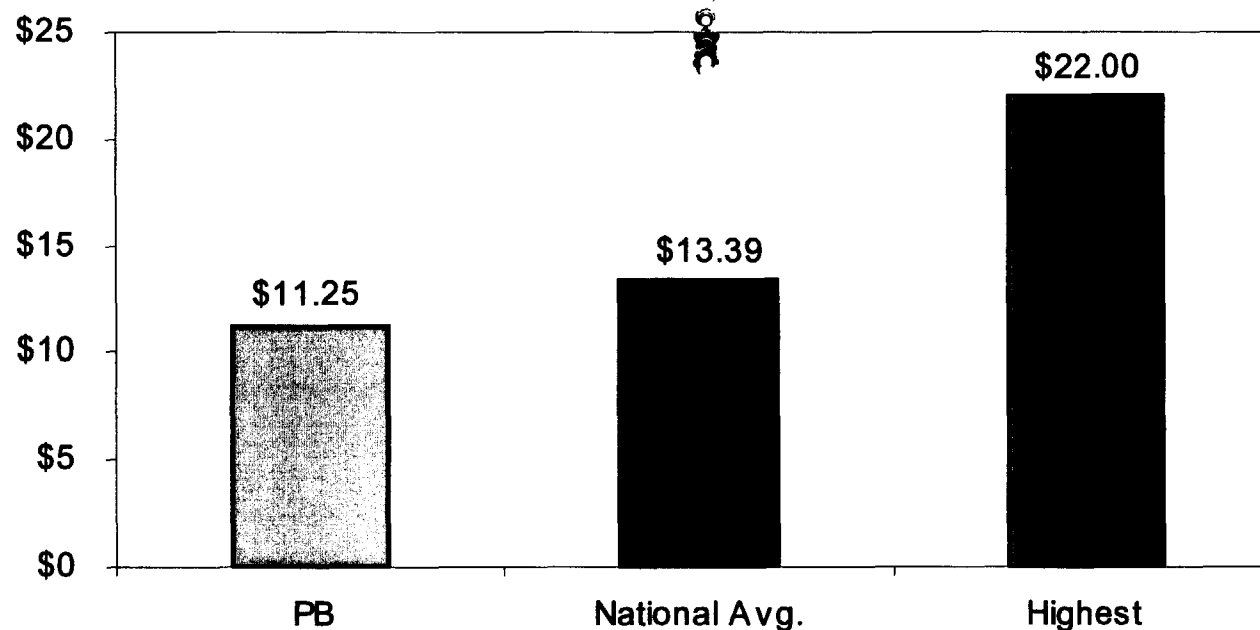
### Capital expenditures comparison:

- 20% Increase '98/'96 - Outside Plant & Central Office Facilities
- 11% Increase '98/'96 - Total Capital for PB



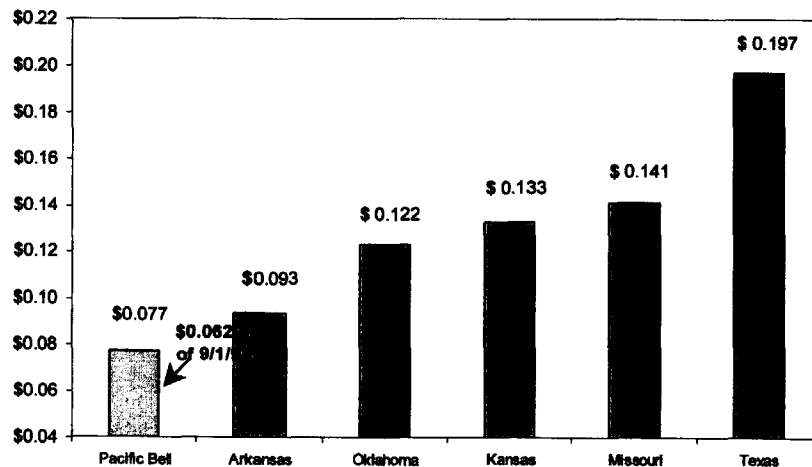
- CLECs located in almost 30% of Pacific Bell's 755 CO/wire centers. These CO/wire centers account for 75% of PBs business revenues and 72% of PBs residential revenues.
- The number of colocation cages currently in place (4Q98) is nearly 4 1/2 times the number in place at the time of the merger (1Q97).

**Residence Local Exchange Flat Rates  
(1997 Data)**

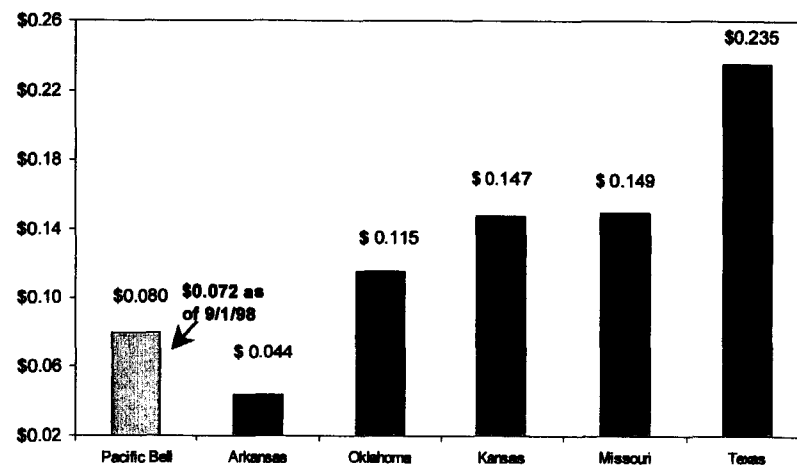


**Pacific Bell's residential local exchange flat rates are nearly 20% lower than the National Average.**

**Consumer Markets  
1997 Average Toll Rates**

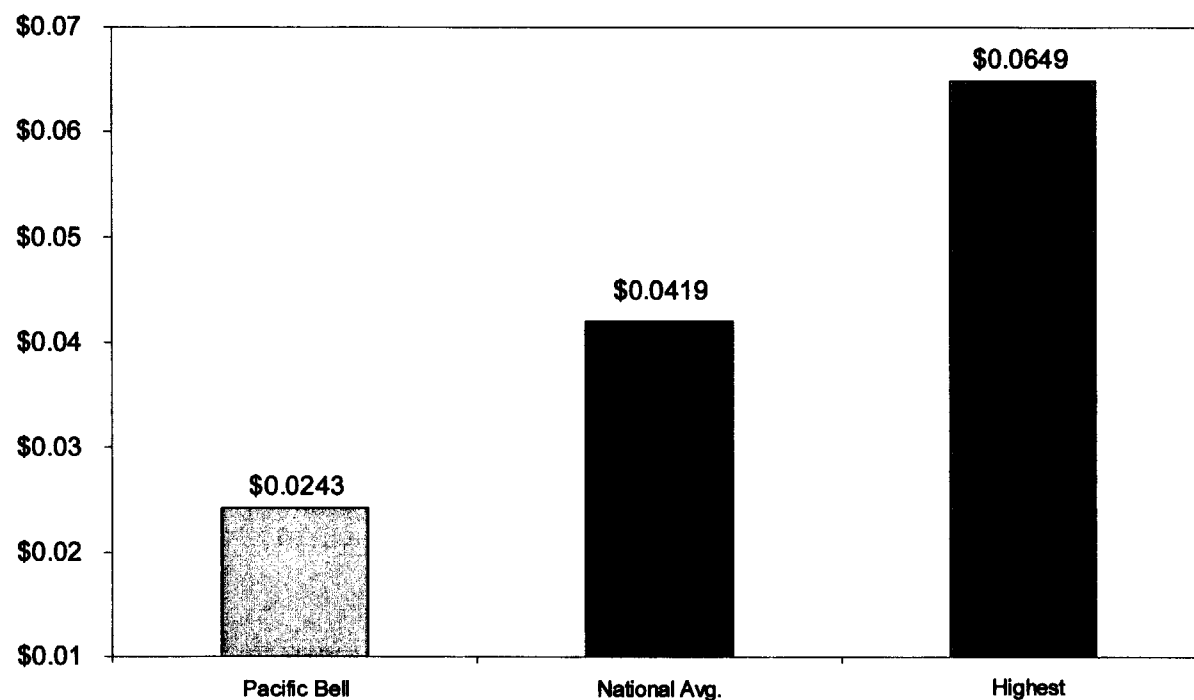


**Business Markets  
1997 Average Toll Rates**



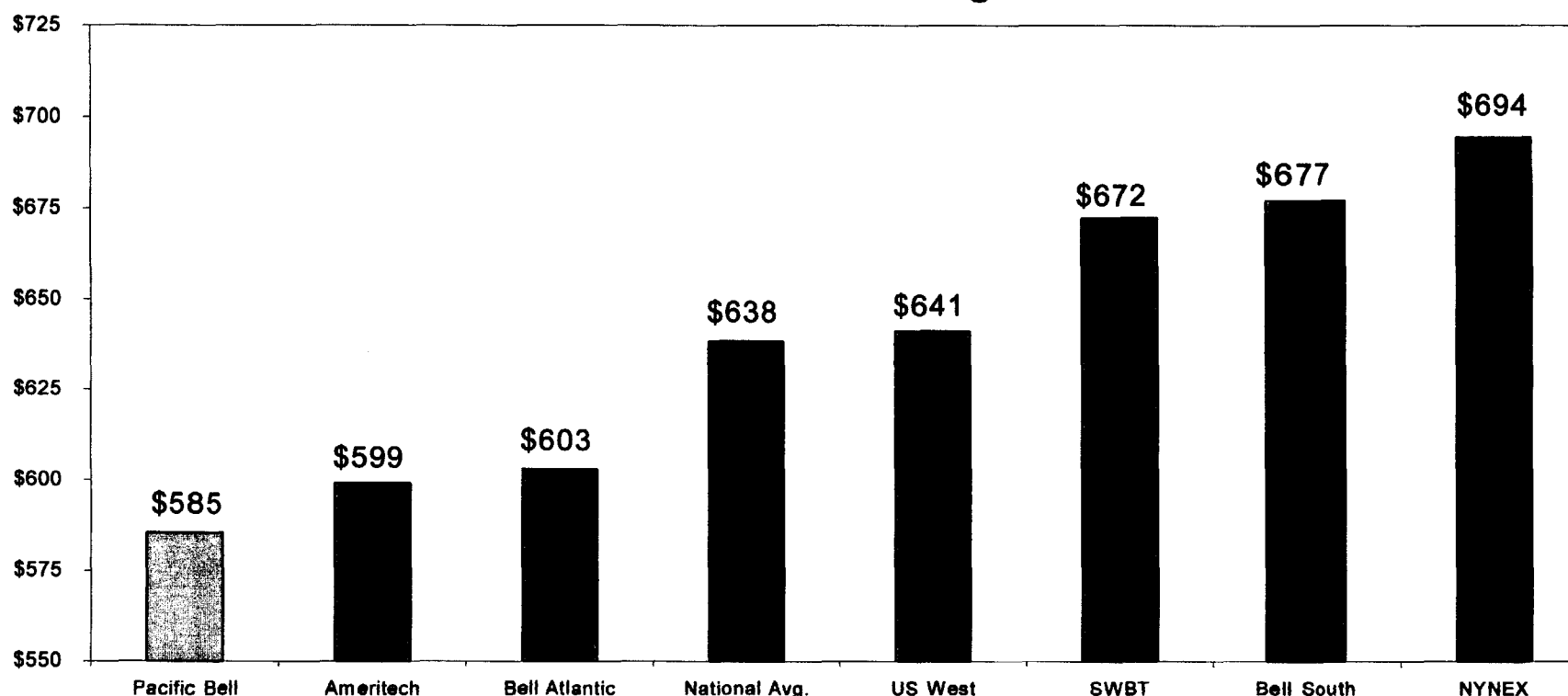
- During 1997, Pacific Bell's Toll rates were among the lowest in the nation
- Effective 9/1/98, Pacific Bell's basic tariff rates for Toll Services were reduced for both residence and business customers.

**Total Intrastate Access Charges  
1997 Average Rate Per MOU**



Pacific Bell's average intrastate access rate per minute of use is 42% below the national average --- the lowest amongst all the RBOCs.

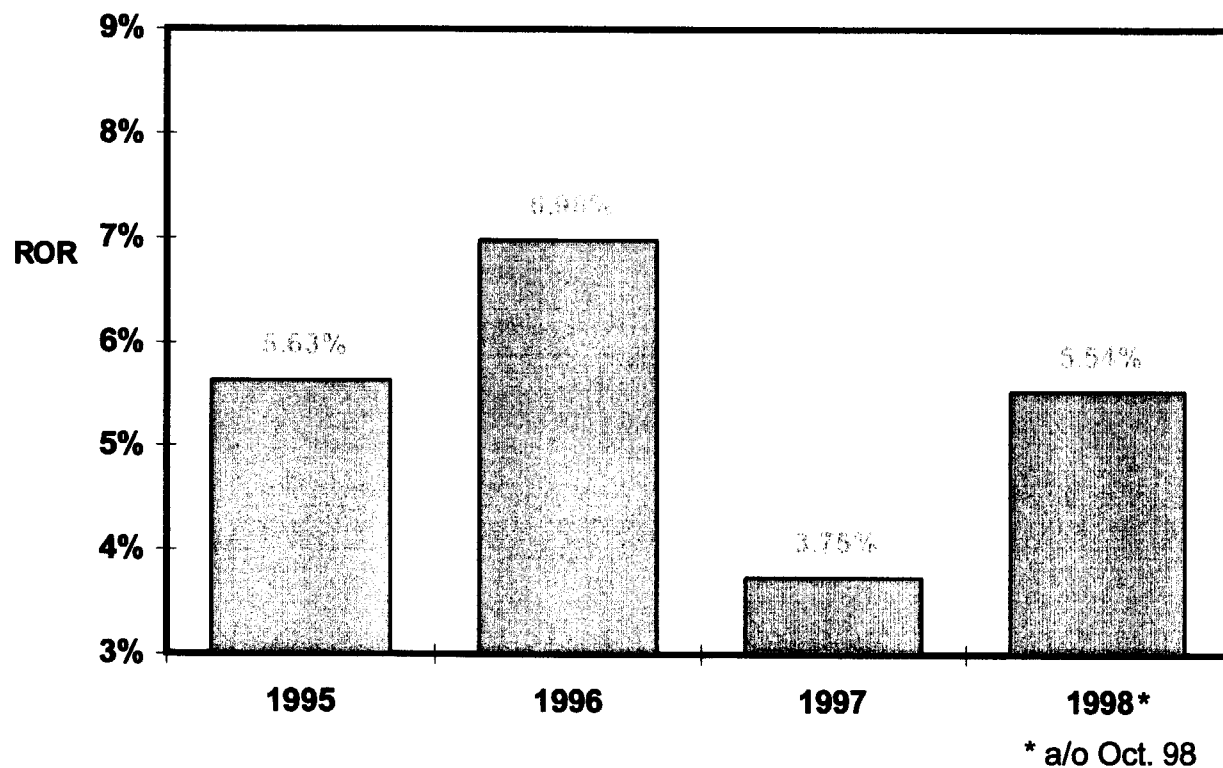
### 1997 Total Revenues Per Average Access Line



- Pacific continues to have the lowest revenues per average access line among the RBOCs.
- Pacific's revenues per average access line is more than 8% (\$53 per line) below the national average, and nearly 16% (\$109 per line) below the RBOC with the highest revenues per access line.



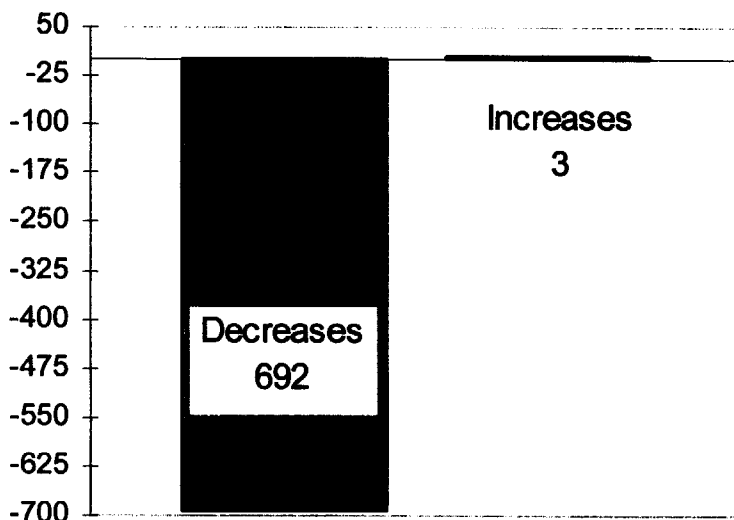
**Intrastate Rate of Return**



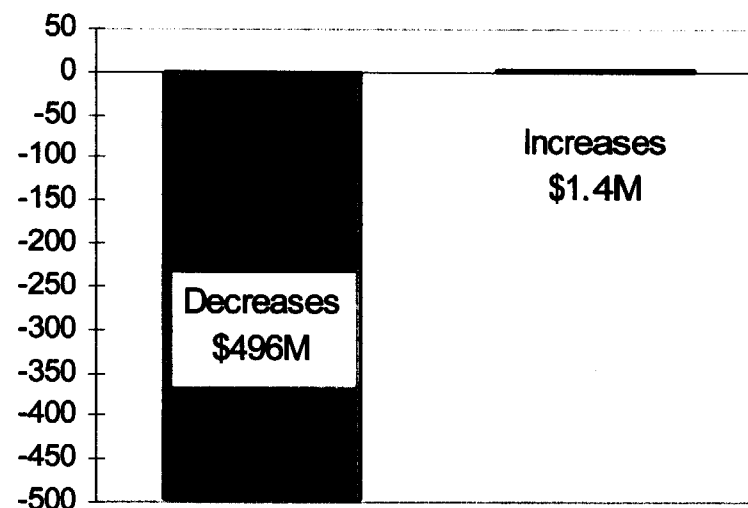
Intrastate operations are approximately 75% of Pacific's regulated operations.

**Allegation:** Opponents allege that Pacific has requested substantial rate increases for a number of services

Number of Advice Letters with price changes since the merger



Value of price changes since the merger



**Fact:** Since the merger, Pacific has reduced prices by \$496M. This includes reductions associated with contracts, promotions, price cap filings, and other rate reductions.

### Price Decreases:

Almost 700 Advice letters (AL) filed seeking price decreases since 4/97:

Contracts - 513	\$92M
Promotions - 132	\$24M
<b>Other rate reductions - 47</b>	<b><u>\$380M*</u></b>
<b>Total - 692</b>	<b>\$496M</b>

### **Other rate reductions breakdown:**

<b>'98-'99 Price Cap Filings - 2 ALs - Summary of '98-'99 Z factors (\$331M)</b>	
FASB 106 - PBOPs	(100)
Pacific TeleSis/SBC Merger Refunds	(98)
Jurisdictional (OB&C) Expense Shift	(74)
\$200 to \$500 Expense Limit	(21)
Smaller LEC Separations Issues	(20)
Sale of Bellcore	(9)
Other Misc. Issues	(9)
<b>Other Advice Letters. e.g., - 45 ALs (\$49M)</b>	
Reduce Centrex features	(6)
Residence Discount Calling Plans	(9)
Usage Sensitive 3-Way Calling	(7)
Saver Plus	(5)
Universal Service Rate Design True-up	(14)

### Price Increases :

- Only 3 advice letters seeking increases: \$1.4M
- 1 Application to increase Directory Assistance from \$.25 to \$.50, a rate which is comparable to that charged in several other jurisdictions, and one-half that charged by our competitors in California
- Each advice letter and application was filed in accordance with CPUC rules and regulations.

- Pacific operates rigorous systems to ensure **ethical sales practices**.
- Pacific has a goal to assist customers to make **informed choices** about our current products and services.
- Sales tools are designed for uniform use by service representatives to ensure **compliance** with all CPUC guidelines and ethical sales practices.
- Pacific makes sure that customers are fully-informed.
- Pacific's approach is **endorsed by CWA**, representing 90 percent of our customer service reps.
- **Pacific will not tolerate unethical sales practices.**